

**United States Telephone Association**

1401 H Street, N.W., Suite 600
Washington, D.C. 20005-2136
(202) 326-7300
(202) 326-7333 FAX

September 7, 1994

Ms. Donna Searcy
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

DOCKET FILE COPY ORIGINAL

FEDERAL COMMUNICATIONS
COMMISSION
OFFICE OF THE
SECRETARY

SEP 7 '94

RECEIVED

Re: Ex Parte Meeting On RM-8448, In the Matter of:
Petition for Rulemaking to Amend Part 32 of the
Commission's Rules, Uniform System of Accounts for
Class A and Class B Telephone Companies, to Increase
the Dollar Limit for Expensing the Cost of Individual
Items of Equipment

Dear Ms. Searcy:

On September 7, 1994, representatives of the United States Telephone Association (USTA) met with Commission Staff to discuss matters relating to the above proceeding. FCC Staff present were Ken Ackerman, Kim Yee, Wade Herriman, and Tom Petras of the Accounting and Audits Division, Common Carrier Bureau. USTA representatives participating were Janet Gill of NYNEX, Deb Haar of U S WEST, and Anne Barcal of USTA.

The discussion related to questions prepared by the FCC Staff on the above proceeding and industry's response thereto. Please see the attachment for the original FCC questions and industry's response, plus industry-provided information on similar regulations promulgated by the Federal Energy Regulatory Commission. This notice was filed with the Secretary of the Commission on September 7, 1994.

Respectfully submitted,

A handwritten signature in cursive script, reading "Mary McDermott", is written over the typed name.

Mary McDermott
Vice President and General Counsel

cc: Ken Moran, Ken Ackerman

No. of Copies rec'd
List A B C D E

021

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

July 29, 1994

IN REPLY REFER TO:
1800E1

1800E1

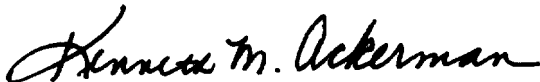
Ms. Mary McDermott
Vice President General Council
United States Telephone Association
1401 H Street, NW
Suite 600
Washington, DC 20005

Dear Ms. McDermott,

We are reviewing the United States Telephone Association's (USTA) Petitions for Rulemaking to amend Part 32 of the Commission's rules to eliminate detailed property records for certain support assets and to increase the dollar limit for expensing the cost of certain individual items of equipment from \$500 to \$2000 (RM-8448). We need further clarification and additional information to evaluate your petitions. Enclosed with this letter are questions which we would appreciate USTA responding to by August 12, 1994.

If you have any questions concerning the requests please contact Tom Petras or Kim Yee of my staff at (202) 634-1861.

Sincerely,



Kenneth M. Ackerman
Chief, Accounting Systems Branch
Accounting and Audit Division

Enclosures

**USTA's Petition for Rulemaking to Amend
Part 32 of the Commission's Rules to Eliminate
Detailed Property Records for Certain Support Assets**

Please Provide the following:

- 1. Support for USTA's "estimate" of the "220,000 new items purchased annually" and the 2,000,000 items currently embedded in industry's plant accounts as stated on page 4 of the petition. Please specify whether these statistics are based on all carriers or on a selected group of carriers. If the statistics are based on a selected group, please provide a list by carrier by account.**
- 2. Calculations and figures to support USTA's claims that "the cost of administering support assets ranges from sixteen to twenty percent of the total administrative cost of accounting for all plant assets, yet support assets represent only about six to seven percent of the gross plant balance." (page 4 of petition). Specify the USTA members which provided the statistics, and provide the statistical data each carrier presented. If expense limit changed from \$500 To \$2000, how would this affect the administrative cost of accounting for all plant assets? Instead of the estimated sixteen to twenty percent, what would the percentage be? Provide statistical analysis.**
- 3. What is the cost savings in terms of reduction in administrative cost by replacing the current record-keeping system with USTA's proposed Vintage Amortization Level (VAL) property system? Please specify whether cost savings are based on all carriers or on a selected group. If cost savings is based on a selected group, please provide schedule(s) showing the cost savings by carrier.**
- 4. What safeguards will be adopted for keeping track of VAL property? What audit trail will exist if the detailed property records are eliminated?**
- 5. Explain how the industry keeps track of these supports assets today and how the industry will track these same support assets if the detailed property records are eliminated.**
- 6. Impact by account of using VAL group depreciation verses current methodology, if any.**
- 7. Is the Petition stating that embedded plant be amortized over the remaining life and new plant be amortized over a projection life chosen from the FCC prescribed ranges? Do you anticipate that the amortization period would change from one vintage to the next?**
- 8. Is the proposal to amortize the embedded investment over a 3 to 5 year period or over the individual company remaining lives?**

**Petition for Rulemaking to Amend Part 32 of the
Commission's Rules, Uniform System of Accounts for
Class A and Class B Telephone Companies to Increase
The Dollar Limit for Expensing the Cost of
Individual Items of Equipment
RM-8448**

1. Does USTA intend to apply the \$2000 expense limit to only certain equipment? If so, what accounts are included in the "certain equipment" category?
2. What does the petition consider "individual items?" (Example: Are the monitor, CPU, and keyboard all classified under a personal computer or is each part an individual item?)
3. Provide the current gross plant balance and the gross plant balance of items under \$2000 by account by jurisdiction.
4. Provide detailed schedule(s) showing the capital to expense shifts by account for the estimated \$160 million shift stated in USTA's petition. (p. 4) Provide amounts for each company which was part of the 1993 informal survey.
5. What are the cost savings associated with USTA's proposed change?

FCC's QUESTIONS ON RM-8448

1. The term "certain equipment" refers to equipment classified in the following accounts: 2112, 2113, 2114, 2115, 2116, 2122, 2123, 2124. These accounts are governed by 32.2000(a) (4).

Please see section II. on page 3 of the petition for rulemaking for our proposed revision to the Rules.

2. USTA does not propose to define the term "individual item" in its petition for rulemaking, nor does USTA propose a change to the current usage of the term, which is currently codified at 32.2000(a) (4). RAO Letter 6, which was released June 26, 1987, provides specific guidance in this matter, and carriers have filed retirement unit lists for their basic property records, in conformity with 32.2000(e) (5).

Please see the attached copy of the relevant sections of RAO Letter 6.

3. Please see the attached five-page spreadsheet (summary plus four pages of detail) that provides the jurisdictional breakout of embedded net book value and the number of embedded items per jurisdiction.

4. Please see the attached one-page spreadsheet that provides the account-level detail of the capital-to-expense shift.

5. Differing operations can cause the results to vary inherently among companies. USTA estimates that among a group of thirteen LECs, which includes the RBOCs and GTE and comprises 91% of industry's 1993 gross operating revenues, \$14,895,720 will be saved.

Before the
Federal Communications Commission
Washington, D.C. 20554

RAO Letter 6

Revised: February 13, 1989; Released: February 27, 1989

Responsible Accounting Officers

Part 32. Uniform System of Accounts for Telecommunications Companies (USOA)—Item Lists

Responsible Accounting Officer Letter No. 6 (RAO 6), issued June 26, 1987, contains a set of item lists for Telecommunications Plant in Service accounts in Part 32 of the Commission's rules. This RAO letter is issued for the purpose of amending the lists in RAO 6 as discussed below.

1. In a letter to the Chief, Accounting and Audits Division, dated September 30, 1988, Southwestern Bell Telephone requested that the item lists in RAO 6 be revised with respect to the classification of signal transfer points (STPs). The item lists in RAO 6 show STPs to be classifiable to Account 2232, Circuit Equipment. Southwestern Bell states, however, that STPs are packet switches that direct signaling messages among facilities in order to obtain and distribute switching instructions. As such, Southwestern Bell states that STPs should be included in Account 2212, Digital Electronic Switching. In addition, it claims that the elimination of STPs from the item list for Circuit Equipment and their addition to the list for Digital Electronic Switching will provide consistent accounting classification among companies subject to Part 32.

In a December 7, 1988 *ex parte* meeting in CC Docket 86-10, the United States Telephone Association (USTA) expressed "the local exchange carriers' consensus views" relative to this classification issue.¹ According to the discussion and the USTA filing on record in Docket 86-10, the local exchange carriers' consensus is, consistent with Southwestern Bell's, that STPs are classifiable to a switching account, specifically Account 2212.

Considering the views presented, we are including STPs in the item list for Account 2212 and, in the interest of uniformity in accounting for this item, deleting STPs from the list for Account 2232.

2. On July 22, 1988, the Commission amended the USOA to increase from \$200 to \$500 the limit for expensing specified individual items of equipment that, absent the expense limitation, would be recorded in certain plant accounts, including central office plant accounts.² Consistent with this change, the phrase "(Test equipment and tools which cost less than \$200 . . .)" in the item lists for the Central Office Asset Accounts³ is hereby amended to read "(Test equipment and tools which cost less than \$500 . . .)".

This letter is issued under Section 0.291 of the Commission's rules. Application for review under Section 1.115 of the Commission's rules must be filed within 30 days from the date of public notice of this letter.

If you have any questions, contact John T. Curry or Hugh L. Boyle at (202) 634-1861.

Sincerely,

Kenneth P. Moran
Chief, Accounting and Audits Division
Common Carrier Bureau

FOOTNOTES

¹ See letter from Vice President-General Counsel, USTA to Secretary, FCC CC Docket No. 86-10, December 7, 1988.

² Revision to amend Part 31, Uniform System of Accounts for Class A and Class B Telephone Companies as it relates to the treatment of certain individual items of furniture and equipment costing \$500 or less, *Report and Order*, CC Docket No. 87-135, 3 FCC Rcd 4464 (1988).

³ Central Office Asset Accounts include Account 2211, Analog Electronic Switching, Account 2212, Digital Electronic Switching, Account 2215.1, Step-by-Step Switching, Account 2215.2, Crossbar Switching, Account 2215.3, Other Electro-Mechanical Switching, Account 2220, Operator Systems, Account 2231.1, Satellite and Earth Station Facilities, Account 2231.2, Other Radio Facilities, Account 2232, Circuit Equipment.

**Southwestern Bell
Telephone**

1010 Pine Street
St. Louis, Missouri 63101
Phone (314) 235-2557

R. N. Schoenmaker
Vice President-Controller and Treasurer

September 30, 1988

Mr. Kenneth P. Moran
Chief, Accounting and Audits Division
Federal Communications Commission
Common Carrier Bureau
2000 L Street, N.W., Suite 812
Washington, D.C. 20554

Dear Mr. Moran:

Southwestern Bell Telephone Company (SWBT) respectfully requests that the Items List for Part 32 as contained in Responsible Accounting Officer (RAO) Letter No. 6 be amended.

SWBT requests that Signal Transfer Points (STPs), as identified in the Part 32 Items List, be dropped from Account 2232, Circuit Equipment, and included in Account 2212, Digital Electronic Switching. The STP is a packet switch that directs signaling messages among facilities in order to obtain and distribute switching instructions.

SWBT believes that this minor change will provide for consistent accounting classification among companies governed by Part 32.

Any questions may be referred to Tom Manion on 314-235-4792.

Sincerely,



FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

June 26, 1987

IN REPLY REFER TO

RAO Letter 6

Responsible Accounting Officers

Part 32, Uniform System of Accounts for Class A and Class B Carriers--
Item Lists

On January 15, 1987, we released RAO Letter 3 to distribute a preliminary version of the item lists for the plant accounts in Part 32. At that time we solicited comments from interested parties on the contents of the lists.

This letter is issued to distribute a revised set of item lists with only the minor modifications indicated in the margins.

This letter and the attachment are issued under Section 0.291 of the Commission's rules. Applications for review under Section 1.115 of the Commission's rules must be filed within 30 days from the date indicated above (See Section 1.4(b)(4) of the Commission's rules).

If you have any questions contact John T. Curry or Hugh L. Boyle at (202) 634-1861.

Sincerely,



Clifford M. Rand
Acting Chief
Accounting and Audits Division

Attachment

TELECOMMUNICATIONS PLANT IN SERVICE - ITEM LISTS

The following set of item lists has been prepared by the Accounting Systems Branch to facilitate classification of items of property and equipment under Part 32, Uniform System of Accounts and Reports for Class A and Class B Telephone Companies. The lists are not to be considered as comprising all the items includible in the accounts, but merely as representative of them. On the other hand, inasmuch as the same item frequently appears in more than one list, the appearance of an item in a list warrants the inclusion of such item in the account concerned only when the text of the account also indicates inclusion. The proper classification in each instance must be determined by the text of the account and the actual usage of the equipment.

32.2110 Land and Support Assets (Class B Companies only)

Includes items of the types required of Class A Companies in
Accounts 2111 through 2124

32.2111 Land

Assessments for the construction of public improvements ?
Commissions and fees to brokers, agents and others ?
Condemnation proceedings, including court costs and special
 outside counsel fees
Conveyances and notary fees
Examinations and registrations of titles by outside legal counsel
Grading of land not in connection with buildings
Relocating property of others in acquisition of land
Sidewalks on public streets abutting the company's property
Taxes assumed, accrued prior to date of acquisition
Taxes on land during the period of construction
 (Note also Section 32.2000(c) Cost of Construction)
Voiding leases to secure possession of land acquired

32.2112 Motor Vehicles

Automobiles
Tractor trailers
Trucks
Vans
Buses

32.2113 Aircraft

Helicopters
Jet powered airplanes
Propeller powered airplanes

32.2114 Special Purpose Vehicles

Boats and barges
Motor scooters
Snowmobiles

32.2115 Garage Work Equipment

Air compressors
Car hoists
Garage jacks
Gasoline pumps
Hydraulic lubricating equipment
Lubricating racks
Metal bins
Oil pumps
Paint spraying equipment
Power tools
Storage tanks (e.g., fuel, oil)
Tire Changers
Tire racks
Welding equipment
Wheel alignment equipment
Work Benches

1
1
1
1

32.2116 Other Work Equipment

Air compressors
Back hoes
Bulldozers
Cable lashers
Cable plows
Carts - cable splicers'
Concrete mixers
Derricks
Duct Rodders
Earth moving machines
Fork lifts
Generators and alternators, portable not dedicated to central office
Heaters
Ladders
Machine tools
Motors, portable
Pole-treating apparatus - chemical
Power blowers, drills, hammers, loaders and winches
Power take-offs
Pumps (except fuel and oil)
Test equipment, portable
Tamping and back-filling machines
Tents - cable splicers'
Tool boxes

1

32.2116 Other Work Equipment (cont.)

Torches
Tractors
Trailers, special purpose
Trenching machines

32.2121 Buildings

Antenna supports on buildings
Antenna towers, large self supporting
Awnings
Boilers, furnaces, fixtures, and machinery for heating, lighting,
ventilating, and plumbing
Cable vaults and conduits constructed as part of the building
Central air conditioning systems
Central dehumidifying systems
Commissions and fees to brokers, agents, architects, and others
Doors, including frames, hardware, screens, checks and stops 1
Drainage and sewerage systems
Electrical wiring
Elevators
Escalators
Fences
Fire alarm systems 1
Fire extinguishing systems
Floor coverings
Garages and shops
General and switching office buildings
Grading, excavating, and preparing grounds for buildings,
including laying out of grounds after construction
Motors and generators
Piers and foundations for machinery constructed as permanent
part of a building
Platforms, storage or loading
Power boards
Raised flooring to conceal cabling
Refrigeration systems
Retaining walls
Sheds and huts
Sidewalks, pavements, and driveways on building grounds
Signs
Sprinkling systems
Voiding leases to secure possession of buildings acquired
Water, steam, and gas pipes
Water-supply systems
Windows, including screens 1

32.2122 Furniture

Antiques

Artworks (e.g., paintings, prints, photographs, sculpture, statuary, tapestries, wall hangings, and woodcuts)

Beds, cots and couches

Bookcases

Cabinets and filing cases

Chairs

Credenzas

Desks

Lamps

Lockers and wardrobes, movable

Modular furniture units

Partitions, movable

Pianos and phonographs

Refrigerators, movable

Rugs

Sofas

Stoves

Tables

32.2123 Office Equipment

32.2123.1 Office Support Equipment

Addressing machines

Air conditioning units, portable

Audio/visual equipment

Billing/posting machines

Blueprinting machines

Calculators

Cameras

Cash registers

Check writers

Copier machines

Dehumidifying units, portable

Dictating equipment

Display and lecture demonstration kits

Fans - electric portable

Fire extinguisher equipment, portable

Floor scrubbing and polishing machines

Medical equipment

Microfilm equipment

Postage meter machines

1

1

32.2123.1 Office Support Equipment (cont.)

Radios
Safes
Television sets and audio/visual monitors
Typewriters
Vacuum cleaners
Vending machines
Water coolers, portable

1

32.2123.2 Company Communications Equipment

Data sets and modems (external) including the inside wiring
Desk sets, hand sets, wall sets, and combined sets including the
associated inside wiring. This excludes sets when used as
part of a private branch exchange or key system intrasystem
Distributing frames
Facsimile equipment, including associated inside wiring
Fiber optic distribution systems
Multiple manual switchboards
Operators' headsets and transmitters
Power equipment, including special foundations
Printer-telegraph equipment including associated inside wiring
Private branch exchange, including common equipment (power
equipment, a switchboard or switching equipment shared by
all stations), station equipment (usually telephones or key
telephone systems), and wires connecting the common equipment
and the station equipment plus the terminal boxes or cross
connector points, and the cable or wires that connect the
private branch exchange with the network interface
Station switching and signaling devices in large installations,
such as key systems, including relay rack equipment,
apparatus cabinets, key cabinets, key boxes, telephone sets
and wires connecting the common equipment and the telephone
sets plus the terminal boxes or cross connector points, and
the cable or wires that connect the key system with the
network interface
Switching equipment at switching or relay centers of
teletypewriter systems
Teletypewriters, including associated inside wiring
Terminals, keyboards, CRTs, video display terminals

1

1

1

32.2124 General Purpose Computers

Assemblers

Card read/punch

Computers - personal type, used in offices as a replacement of general office administrative activities such as report generation, statistical compilation etc.

Control consoles

Central processing units

Disk drives

Initial operating system software for computers classified to this account

Input/output devices

Memory units

Modems

Optical scanners

Plug-in units

Power equipment (e.g., busbars, generators, engines, chargers, and storage batteries) 1

Printers

Tape drives

Terminals, keyboards, CRTs, video display terminals 1

32.2210 Central Office-Switching (Class B Companies only)

Includes items of the types required of Class A Companies in Accounts 2211 through 2215

32.2211 Analog Electronic Switching

Automatic message recording equipment

Call store equipment

Central processors including initial operating system software for computers classified to this account

Control consoles

Disk drives and controllers

Frames, distributing, protector, switching, trunk

Furniture designed specifically for use with central office equipment and equipped with such equipment classified to Account 2211 or installed as part of the electrical equipment therein 1

Input/output devices including teletypewriters, display and alarm units and memory card writers 1

Jumper wire, initial installation 1

RM-8448, Question 3: Grand Totals, by company and account.

	Company total Embedded NBV	Company total Embed. # items	2112 Embedded NBV	2112 Emb. # items	2114 Embedded NBV	2114 Emb. # items	2115 Embedded NBV	2115 Emb. # items	2116 Embedded NBV	2116 Emb. # items
Ameritech	\$92,074,000	206,263	\$0	0	\$0	0	\$1,066,000	1,790	\$28,036,000	39,437
Bell Atlantic	\$126,661,135	193,306	\$1,547,864	2,274	\$0	0	\$2,256,388	992	\$61,790,531	96,492
BellSouth	\$188,301,000	376,758	\$0	0	\$0	0	\$1,548,000	2,166	\$57,398,000	91,772
Cincinnati	\$15,473,000	66,874	\$0	0	\$0	0	\$89,000	130	\$2,097,000	2,822
NYNEX	\$41,011,000	101,562	\$0	0	\$2,000	6	\$402,000	1,129	\$11,321,000	26,162
Pac. Bell (CA)	\$91,317,000	171,071	\$0	0	\$88,000	4	\$753,000	790	\$25,671,000	22,953
Rochester (NY)	\$1,631,000	3,817	\$0	0	\$0	0	\$0	57	\$568,000	1,426
SNET (CT)	\$3,008,600	6,246	\$1,020,000	2,214	\$0	\$0	\$2,173,000	8,377	\$7,975,452	12,471
SWBT	\$135,560,168	398,466	\$155,697	315	\$0	0	\$662,369	482	\$49,548,121	80,439
U S WEST	\$145,385,000	297,079	\$27,000	74	\$1,000	2	\$1,091,000	1,191	\$46,201,000	77,492
GTE	\$169,383,150	216,358	\$722,684	464	\$1,037	1	\$1,292,001	3,037	\$38,571,032	77,108
TOTALS	\$1,009,805,053	2,037,800	\$3,473,245	5,341	\$92,037	13	\$11,332,758	20,141	\$329,177,136	528,574

	2122 Embedded NBV	2122 Emb. # items	2123.1 Embedded NBV	2123.1 Emb. # items	2123.2 Embedded NBV	2123.2 Emb. # items	2124 Embedded NBV	2124 Emb. # items
Ameritech	\$17,805,000	38,020	\$5,938,000	13,936	\$1,050,000	1,938	\$38,179,000	111,142
Bell Atlantic	\$27,871,961	51,734	\$6,749,498	12,664	\$3,842,741	n/a	\$22,602,152	29,150
BellSouth	\$14,852,000	33,743	\$11,860,000	22,460	\$0	0	\$102,643,000	226,617
Cincinnati	\$7,739,000	53,947	\$2,534,000	4,834	\$0	0	\$3,014,000	5,141
NYNEX	\$7,254,000	21,401	\$6,724,000	6,587	\$0	0	\$15,308,000	46,277
Pac. Bell (CA)	\$15,527,000	20,251	\$7,748,000	10,712	\$2,606,000	2,803	\$38,924,000	113,558
Rochester (NY)	\$328,000	629	\$92,000	280	\$0	\$0	\$643,000	1,425
SNET (CT)	\$3,008,600	6,246	\$1,020,000	2,214	\$0	\$0	\$2,173,000	8,377
SWBT	\$2,340,606	7,490	\$66,582,751	269,132	\$0	0	\$16,270,624	40,608
U S WEST	\$5,130,000	8,268	\$28,344,000	49,100	\$0	0	\$64,591,000	160,952
GTE	\$21,339,796	52,695	\$3,989,257	16,208	\$0	0	\$942,000	1,223
TOTALS	\$123,195,963	294,424	\$141,581,506	408,127	\$7,498,741	4,741	\$305,289,776	744,470

RM-8448, #3, Supporting Detail: pg. 1 of 4

	Company total Embedded NBV	Company total Embed. # items	2112 Embedded NBV	2112 Emb. # items	2114 Embedded NBV	2114 Emb. # items	2115 Embedded NBV	2115 Emb. # items	2116 Embedded NBV	2116 Emb. # items
Ameritech:										
Illinois	\$32,537,000	54,715	\$0	0	\$0	0	\$536,000	990	\$10,368,000	13,587
Indiana	\$10,828,000	34,779	\$0	0	\$0	0	\$18,000	39	\$2,365,000	3,200
Michigan	\$25,084,000	54,349	\$0	0	\$0	0	\$247,000	301	\$7,735,000	11,925
Ohio	\$9,716,000	27,465	\$0	0	\$0	0	\$159,000	303	\$5,040,000	6,800
Wisconsin	\$13,909,000	34,955	\$0	0	\$0	0	\$106,000	157	\$2,528,000	3,925
TOTAL	\$92,074,000	206,263	\$0	0	\$0	0	\$1,066,000	1,790	\$28,036,000	39,437
Bell Atlantic:										
Bell of PA	\$42,301,127	75,424	\$21,137	n/a	\$0	0	\$690,620	n/a	\$23,097,588	45,267
Diamond State	\$1,762,267	4,372	\$0	\$0	\$0	0	\$43,604	n/a	\$1,015,532	3,000
New Jersey Bell	\$21,823,148	66,158	\$1,289,436	2,274	\$0	0	\$643,135	992	\$5,852,222	36,225
DC	\$5,108,089	7,766	\$15,408	n/a	\$0	0	\$49,270	n/a	\$1,973,588	3,000
MD	\$25,132,115	17,684	\$106,344	n/a	\$0	0	\$344,054	n/a	\$12,576,148	3,000
VA	\$22,135,294	14,012	\$84,495	n/a	\$0	0	\$465,329	n/a	\$12,224,555	3,000
WVA	\$8,399,095	7,890	\$31,044	n/a	\$0	0	\$20,376	n/a	\$5,050,898	3,000
TOTAL	\$126,661,135	193,306	\$1,547,864	2,274	\$0	0	\$2,256,388	992	\$61,790,531	96,492
BellSouth:										
Alabama	\$30,674,000	63,086	\$0	0	\$0	0	\$101,000	163	\$5,732,000	8,924
Florida	\$36,340,000	75,958	\$0	0	\$0	0	\$126,000	288	\$11,131,000	21,265
Georgia	\$38,803,000	84,920	\$0	0	\$0	0	\$86,000	206	\$8,168,000	16,666
Kentucky	\$9,986,000	17,361	\$0	0	\$0	0	\$166,000	185	\$4,443,000	5,685
Louisiana	\$17,339,000	29,724	\$0	0	\$0	0	\$382,000	499	\$8,347,000	9,827
Mississippi	\$10,957,000	21,072	\$0	0	\$0	0	\$129,000	152	\$4,257,000	6,312
N. Carolina	\$15,927,000	32,669	\$0	0	\$0	0	\$118,000	138	\$4,876,000	8,435
S. Carolina	\$9,636,000	18,747	\$0	0	\$0	0	\$14,000	36	\$3,462,000	5,901
Tennessee	\$18,639,000	33,221	\$0	0	\$0	0	\$426,000	499	\$6,982,000	8,757
TOTAL	\$188,301,000	376,758	\$0	0	\$0	0	\$1,548,000	2,166	\$57,398,000	91,772
Cincinnati:										
Ohio	\$14,684,000	64,327	\$0	0	\$0	0	\$70,000	101	\$1,770,000	2,370
Kentucky	\$789,000	2,547	\$0	0	\$0	0	\$19,000	29	\$327,000	452
TOTAL	\$15,473,000	66,874	\$0	0	\$0	0	\$89,000	130	\$2,097,000	2,822
NYNEX:										
New Hampshire	\$1,093,000	4,299	\$0	0	\$0	0	\$25,000	85	\$182,000	521
New York	\$31,458,000	63,974	\$0	0	\$0	0	\$186,000	388	\$9,729,000	21,607
Maine	\$1,026,000	4,037	\$0	0	\$0	0	\$23,000	80	\$171,000	489
Massachusetts	\$6,143,000	24,172	\$0	0	\$2,000	6	\$139,000	477	\$1,024,000	2,929
Rhode Island	\$737,000	2,901	\$0	0	\$0	0	\$17,000	57	\$123,000	352
Vermont	\$554,000	2,179	\$0	0	\$0	\$0	\$12,000	42	\$92,000	264
Total	\$41,011,000	101,562	\$0	0	\$2,000	6	\$402,000	1,129	\$1,321,000	26,162
Pac. Bell (CA)	\$91,317,000	171,071	\$0	0	\$88,000	4	\$753,000	790	\$25,671,000	22,953
Rochester (NY)	\$1,631,000	3,817	\$0	0	\$0	0	\$0	57	\$568,000	1,426
SNET (CT)	\$14,319,373	29,457	\$0	0	\$0	0	\$142,321	149	\$7,975,452	12,471
SWBT:										
Arkansas	\$10,776,559	35,001	\$1,759	2	\$0	0	\$154,339	18	\$3,857,817	5,972
Kansas	\$14,077,007	45,641	\$16,900	38	\$0	0	\$123,379	81	\$6,161,497	9,339
Missouri	\$43,418,343	114,961	\$10,628	15	\$0	0	\$185,275	68	\$10,688,597	16,915
Oklahoma	\$13,921,574	53,556	\$7,543	18	\$0	0	\$19,989	27	\$6,523,584	10,000
Texas	\$53,366,685	149,307	\$118,867	242	\$0	0	\$179,387	288	\$22,316,626	38,213
TOTAL	\$135,560,168	398,466	\$155,697	315	\$0	0	\$662,369	482	\$49,548,121	80,439

	Company total Embedded NBV	Company total Embed. # items	2112 Embedded NBV	2112 Emb. # items	2114 Embedded NBV	2114 Emb. # items	2115 Embedded NBV	2115 Emb. # items	2116 Embedded NBV	2116 Emb. # items
U S WEST:										
Arizona	\$20,539,000	35,214	\$2,000	6	\$0	0	\$193,000	201	\$6,880,000	8,745
Colorado	\$33,831,000	57,700	\$2,000	5	\$0	0	\$170,000	223	\$6,727,000	11,308
Idaho	\$3,447,000	6,488	\$1,000	1	\$0	0	\$37,000	46	\$1,756,000	2,971
Iowa	\$7,931,000	14,567	\$2,000	4	\$0	0	\$51,000	21	\$2,947,000	5,401
Malheur	\$61,000	170	\$0	0	\$0	0	\$0	0	\$41,000	103
Minnesota	\$17,893,000	34,682	\$0	3	\$0	1	\$131,000	51	\$5,769,000	11,960
Montana	\$3,023,000	6,615	\$1,000	5	\$1,000	1	\$37,000	34	\$2,128,000	3,147
Nebraska	\$10,223,000	25,796	\$4,000	8	\$0	0	\$28,000	34	\$1,884,000	3,284
New Mexico	\$4,864,000	9,382	\$1,000	3	\$0	0	\$23,000	14	\$2,001,000	2,665
N. Dakota	\$1,867,000	4,618	\$0	1	\$0	0	\$27,000	8	\$776,000	2,087
Oregon	\$9,772,000	19,175	\$4,000	13	\$0	0	\$77,000	177	\$3,709,000	7,275
S. Dakota	\$1,625,000	3,961	\$0	2	\$0	0	\$5,000	5	\$961,000	2,054
Utah	\$8,827,000	24,621	\$0	2	\$0	0	\$66,000	69	\$3,114,000	4,813
Washington	\$17,915,000	48,616	\$10,000	21	\$0	0	\$151,000	231	\$5,187,000	8,083
Wyoming	\$3,567,000	5,474	\$0	0	\$0	0	\$95,000	77	\$2,321,000	3,596
TOTAL	\$145,385,000	297,079	\$27,000	74	\$1,000	2	\$1,091,000	1,191	\$46,201,000	77,492
GTE:										
Alabama	\$1,251,014	1,847	\$5,391	7	\$0	0	\$0	0	\$461,352	663
Arizona	\$167,724	787	\$0	0	\$0	0	\$0	0	\$74,530	135
Arkansas	\$1,066,256	1,523	\$2,873	4	\$0	0	\$17,431	29	\$316,717	702
California	\$41,041,047	63,878	\$374,403	59	\$1,037	1	\$233,600	834	\$7,487,320	23,595
Florida	\$25,521,075	18,340	\$17,460	27	\$0	0	\$146,774	310	\$3,766,519	5,694
Hawaii	\$5,902,033	9,020	\$17,391	64	\$0	0	\$55,376	149	\$1,291,482	3,087
Idaho	\$1,421,386	2,895	\$775	1	\$0	0	\$17,711	39	\$662,687	1,145
Illinois	\$4,775,159	8,160	\$26,201	13	\$0	0	\$30,340	45	\$2,135,718	3,654
Indiana	\$11,975,162	14,543	\$27,297	30	\$0	0	\$117,284	212	\$2,660,202	4,242
Iowa	\$1,909,208	2,973	\$13,555	11	\$0	0	\$7,887	9	\$777,129	1,201
Kentucky	\$2,599,310	4,862	\$21,157	29	\$0	0	\$12,295	43	\$789,053	1,877
Michigan	\$3,461,990	6,090	\$17,726	48	\$0	0	\$81,979	175	\$1,563,619	3,164
Minnesota	\$470,741	1,225	\$5,829	8	\$0	0	\$0	0	\$235,667	467
Missouri	\$4,355,264	5,144	\$15,325	26	\$0	0	\$22,388	30	\$1,031,779	1,339
Montana	\$41,829	72	\$0	0	\$0	0	\$0	0	\$28,804	52
Nebraska	\$13,052	383	\$2,247	4	\$0	0	\$0	0	\$15,311	207
Nevada	\$191,009	489	\$0	0	\$0	0	\$0	0	\$63,331	102
New Mexico	\$561,670	1,007	\$655	2	\$0	0	\$7,933	16	\$208,022	375
N. Carolina	\$3,611,978	5,863	\$8,673	9	\$0	0	\$14,611	17	\$564,459	1,158
Ohio	\$6,643,057	6,839	\$21,354	15	\$0	0	\$116,519	273	\$2,053,656	3,319
Oklahoma	\$609,001	900	\$1,565	2	\$0	0	\$12,189	21	\$240,313	456
Oregon	\$2,529,974	4,541	\$3,241	2	\$0	\$0	\$17,298	44	\$1,530,423	2,318
Pennsylvania	\$3,856,592	5,071	\$11,970	17	\$0	0	\$74,738	185	\$1,352,599	2,085
S. Carolina	\$681,627	1,139	\$8,868	10	\$0	0	\$0	0	\$293,821	540
Texas	\$28,769,614	26,867	\$57,693	39	\$0	0	\$198,427	381	\$3,749,776	7,165
Virginia	\$2,641,536	4,197	\$3,632	8	\$0	0	\$0	0	\$1,023,690	1,623
Washington	\$9,817,093	12,816	\$17,972	2	\$0	0	\$65,105	128	\$2,764,228	4,471
Wisconsin	\$3,497,749	4,887	\$39,432	27	\$0	0	\$42,118	97	\$1,428,826	2,272
TOTAL	\$169,383,150	216,358	\$722,684	464	\$1,037	1	\$1,292,001	3,037	\$38,571,032	77,108

	2122 Embedded NBV	2122 Emb. # items	2123.1 Embedded NBV	2123.1 Emb. # items	2123.2 Embedded NBV	2123.2 Emb. # items	2124 Embedded NBV	2124 Emb. # items
Ameritech:								
Illinois	\$5,760,000	10,118	\$2,284,000	6,254	\$125,000	134	\$13,464,000	23,632
Indiana	\$3,080,000	3,029	\$683,000	1,220	\$28,000	52	\$4,654,000	27,239
Michigan	\$3,600,000	6,390	\$935,000	2,899	\$523,000	654	\$12,044,000	32,180
Ohio	\$1,105,000	11,108	\$990,000	1,696	\$5,000	12	\$2,417,000	7,546
Wisconsin	\$4,260,000	7,375	\$1,046,000	1,867	\$369,000	1,086	\$5,600,000	20,545
TOTAL	\$17,805,000	38,020	\$5,938,000	13,936	\$1,050,000	1,938	\$38,179,000	111,142
Bell Atlantic:								
Bell of PA	\$8,380,508	17,063	\$2,180,250	4,124	\$1,586,156	n/a	\$6,344,868	8,970
Diamond State	\$367,179	777	\$9,061	216	\$20,815	n/a	\$306,076	379
New Jersey Bell	\$7,163,899	14,487	\$1,942,131	3,749	\$350,532	n/a	\$4,581,793	8,431
DC	\$1,022,394	2,280	\$369,736	587	\$102,657	n/a	\$1,575,036	1,899
MD	\$4,377,789	7,402	\$1,121,567	1,944	\$1,075,586	n/a	\$5,530,627	5,338
VA	\$4,682,891	6,595	\$862,911	1,461	\$624,587	n/a	\$3,190,526	2,956
WVA	\$1,877,301	3,130	\$263,842	583	\$82,408	n/a	\$1,073,226	1,177
TOTAL	\$27,871,961	51,734	\$6,749,498	12,664	\$3,842,741	n/a	\$22,602,152	29,150
BellSouth:								
Alabama	\$2,910,000	5,512	\$1,574,000	3,557	\$0	0	\$20,357,000	44,930
Florida	\$2,466,000	5,488	\$3,417,000	6,539	\$0	0	\$19,200,000	42,378
Georgia	\$5,059,000	12,558	\$2,366,000	3,877	\$0	0	\$23,124,000	51,613
Kentucky	\$581,000	1,185	\$590,000	1,101	\$0	0	\$4,206,000	9,205
Louisiana	\$451,000	1,690	\$865,000	1,786	\$0	0	\$7,294,000	15,922
Mississippi	\$318,000	799	\$470,000	1,088	\$0	0	\$5,783,000	12,721
N. Carolina	\$963,000	2,675	\$1,005,000	1,629	\$0	0	\$8,965,000	19,792
S. Carolina	\$792,000	1,492	\$772,000	1,240	\$0	0	\$4,596,000	10,078
Tennessee	\$1,312,000	2,344	\$801,000	1,643	\$0	0	\$9,118,000	19,978
TOTAL	\$14,852,000	33,743	\$11,860,000	22,460	\$0	0	\$102,643,000	226,617
Cincinnati:								
Ohio	\$7,540,000	52,329	\$2,397,000	4,592	\$0	0	\$2,907,000	4,935
Kentucky	\$199,000	1,618	\$137,000	242	\$0	0	\$107,000	206
TOTAL	\$7,739,000	53,947	\$2,534,000	4,834	\$0	0	\$3,014,000	5,141
NYNEX:								
New Hampshire	\$453,000	1,619	\$202,000	n/a	\$0	0	\$231,000	2,074
New York	\$3,289,000	7,247	\$4,957,000	6,587	\$0	0	\$13,297,000	28,145
Maine	\$426,000	1,520	\$190,000	n/a	\$0	0	\$216,000	1,948
Massachusetts	\$2,550,000	9,102	\$1,136,000	n/a	\$0	0	\$1,292,000	11,658
Rhode Island	\$306,000	1,093	\$136,000	n/a	\$0	0	\$155,000	1,399
Vermont	\$230,000	820	\$103,000	n/a	\$0	0	\$117,000	1,053
Total	\$7,254,000	21,401	6,724,000	6,587	\$0	0	\$15,308,000	46,277
Pac. Bell (CA)	\$15,527,000	20,251	\$7,748,000	10,712	\$2,606,000	2,803	\$38,924,000	113,558
Rochester (NY)	\$328,000	629	\$92,000	280	\$0	\$0	\$643,000	1,425
SNET (CT)	\$3,008,600	6,246	\$1,020,000	2,214	\$0	\$0	\$2,173,000	8,377
SWBT:								
Arkansas	\$25,388	420	\$6,266,471	27,171	\$0	0	\$470,785	1,418
Kansas	\$203,481	441	\$6,952,008	33,606	\$0	0	\$619,742	2,136
Missouri	\$1,078,997	1,539	\$24,718,420	81,899	\$0	0	\$6,736,426	14,525
Oklahoma	\$549,679	882	\$6,811,519	40,000	\$0	0	\$9,260	2,629
Texas	\$483,061	4,208	\$21,834,333	86,456	\$0	0	\$8,434,411	19,900
TOTAL	\$2,340,606	7,490	\$66,582,751	269,132	\$0	0	\$16,270,624	40,608

	2122 Embedded NBV	2122 Emb. # items	2123.1 Embedded NBV	2123.1 Emb. # items	2123.2 Embedded NBV	2123.2 Emb. # items	2124 Embedded NBV	2124 Emb. # items
U S WEST:								
Arizona	\$921,000	887	\$3,693,000	6,593	\$0	0	\$8,850,000	18,782
Colorado	\$1,947,000	2,848	\$4,856,000	9,469	\$0	0	\$20,129,000	33,847
Idaho	\$79,000	116	\$317,000	734	\$0	0	\$1,257,000	2,620
Iowa	\$23,000	136	\$1,405,000	2,588	\$0	0	\$3,503,000	6,417
Malheur	\$1,000	4	\$2,000	16	\$0	0	\$17,000	47
Minnesota	\$167,000	978	\$4,081,000	6,374	\$0	0	\$7,745,000	15,315
Montana	\$90,000	146	\$353,000	988	\$0	0	\$413,000	2,294
Nebraska	\$118,000	394	\$5,285,000	5,194	\$0	0	\$2,904,000	16,882
New Mexico	\$328,000	381	\$542,000	1,219	\$0	0	\$1,969,000	5,100
N. Dakota	\$34,000	63	\$239,000	635	\$0	0	\$791,000	1,824
Oregon	\$180,000	577	\$2,093,000	3,702	\$0	0	\$3,709,000	7,431
S. Dakota	\$5,000	53	\$132,000	480	\$0	0	\$522,000	1,367
Utah	\$201,000	554	\$1,024,000	3,683	\$0	0	\$4,422,000	15,500
Washington	\$1,032,000	1,040	\$4,117,000	6,938	\$0	0	\$7,418,000	32,303
Wyoming	\$4,000	91	\$205,000	487	\$0	0	\$942,000	1,223
TOTAL	\$5,130,000	8,268	\$28,344,000	49,100	\$0	0	\$64,591,000	160,952
GTE:								
Alabama	\$250,891	503	\$31,211	134	\$366,769	237	\$135,401	303
Arizona	\$44,070	304	\$5,179	46	\$13,567	38	\$30,378	264
Arkansas	\$162,068	349	\$27,245	73	\$406,153	205	\$133,769	161
California	\$7,164,284	22,970	\$812,454	4,155	\$18,240,540	2,177	\$6,727,410	10,087
Florida	\$2,537,270	3,657	\$482,563	1,413	\$14,914,533	1,146	\$3,655,956	6,093
Hawaii	\$848,925	1,665	\$164,289	567	\$1,791,655	598	\$1,732,915	2,890
Idaho	\$218,040	459	\$59,900	128	\$296,292	805	\$165,982	318
Illinois	\$424,328	1,451	\$93,892	751	\$1,429,840	996	\$634,840	1,250
Indiana	\$1,349,855	3,718	\$186,617	1,208	\$4,156,038	595	\$3,477,869	4,538
Iowa	\$143,361	376	\$67,550	296	\$489,793	467	\$409,932	613
Kentucky	\$363,331	822	\$84,612	404	\$683,895	374	\$644,967	1,313
Michigan	\$209,538	688	\$105,348	524	\$1,070,192	574	\$413,588	917
Minnesota	\$75,931	409	\$39,173	133	\$42,927	131	\$71,214	77
Missouri	\$754,861	1,585	\$69,230	297	\$1,615,321	480	\$846,360	1,387
Montana	\$533	1	\$0	0	\$8,989	10	\$3,503	9
Nebraska	\$0	33	(\$1,239)	28	(\$2,910)	94	(\$357)	17
Nevada	\$85,705	215	\$8,451	14	\$2,549	12	\$30,972	146
New Mexico	\$104,581	302	\$22,528	88	\$192,393	158	\$25,558	66
N. Carolina	\$470,118	1,210	\$99,256	547	\$591,965	408	\$1,862,895	2,514
Ohio	\$290,617	599	\$94,457	540	\$2,838,350	569	\$1,228,105	1,524
Oklahoma	\$83,417	183	\$13,699	48	\$248,771	170	\$9,046	20
Oregon	\$267,903	603	\$84,065	179	\$474,922	1,031	\$152,122	364
Pennsylvania	\$338,346	717	\$90,086	523	\$1,456,133	487	\$532,722	1,057
S. Carolina	\$49,544	164	\$16,661	99	\$196,274	127	\$116,459	199
Texas	\$3,076,989	5,618	\$879,821	2,609	\$12,954,861	2,748	\$7,852,046	8,307
Virginia	\$753,167	1,153	\$57,244	303	\$420,827	236	\$382,976	874
Washington	\$1,070,438	2,358	\$330,017	781	\$3,908,879	2,972	\$1,660,454	2,104
Wisconsin	\$201,685	583	\$64,945	320	\$1,158,939	643	\$561,804	945
TOTAL	\$21,339,796	52,695	\$3,989,257	16,208	\$0	0	\$942,000	1,223

RM-8448, Question 4: Account-level detail of annual capital to expense shift.

	Company Total	2112	2115	2116	2122	2123	2124
Ameritech	\$7,446,000	\$0	\$375,000	\$2,288,000	\$200,000	\$30,000	\$4,553,000
Bell Atlantic	\$30,672,872	\$770,500	\$85,760	\$21,297,600	\$913,719	\$285,294	\$7,319,999
BellSouth	\$57,137,000	\$0	\$223,000	\$9,196,000	\$2,960,000	\$2,908,000	\$41,850,000
Cincinnati	\$1,021,000	\$0	\$11,000	\$79,000	\$138,000	\$301,000	\$492,000
GTE	\$35,515,250	\$117,359	\$192,457	\$4,638,029	\$1,137,740	\$14,619,029	\$14,810,636
Nevada	\$156,000	\$10,000	\$1,000	\$5,000	\$2,000	\$9,000	\$129,000
N. Pittsburgh	\$203,000	n/a	\$0	\$7,000	\$47,000	\$3,000	\$146,000
NYNEX	\$8,730,000	\$0	\$43,000	\$75,000	\$589,000	\$1,164,000	\$6,859,000
Pacific	\$18,704,000	\$0	\$41,000	\$5,705,000	\$1,579,000	\$1,085,000	\$10,294,000
Rochester	\$404,000	\$0	\$3,000	\$93,000	\$58,000	\$26,000	\$224,000
SNET	\$3,417,891	\$0	\$58,692	\$212,997	\$423,255	\$26,742	\$2,696,205
SWBT	\$19,634,804	\$2,401	\$21,584	\$1,913,921	\$39,329	\$10,875,560	\$6,782,009
U S WEST	\$16,519,340	\$5,777	\$0	\$1,678,244	\$38,481	\$6,348,694	\$8,448,144
INDUSTRY TOTAL	\$199,561,157	\$906,037	\$1,055,493	\$47,188,791	\$8,125,524	\$37,681,319	\$104,603,993

Summary of FERC's Rules that are Analogous to the FCC Rules on Capital/Expense Limit

Generally, the Federal Energy Regulatory Commission (FERC) does not require the use of specific thresholds over which purchases must be capitalized and under which they must be expensed. Instead, FERC allows its subject companies to establish capitalization thresholds. To achieve financial reporting consistency among periods, FERC expects companies to obtain their approval prior to changing any threshold.

However, there is one exception: enterprises subject to the Interstate Commerce Act, generally interstate oil pipeline companies, must expense carrier property costing less than \$500; however, these companies are able to expense larger dollar-value items as well, as there is no rule prohibiting such treatment. In practice, FERC requires subject companies to request written approval for raising the threshold above \$500, but this request for approval is essentially a formality. Note that this FERC rule emphasizes the practice of expensing insignificant items, while the FCC's rules generally requires subject companies to capitalize similar items.

*To avoid undue refinement in accounting,
carriers shall charge to operating expense
acquisitions of property (other than land)
including additions and improvements costing
less than \$500.*

Code cite: 18 CFR 352.3-2 (a)

In no other section of the FERC's Code of Federal Regulations is there a requirement to capitalize certain items solely because of dollar value. Therefore, FERC's rules are close to generally accepted accounting principles (GAAP) in this matter, as GAAP contains no specific capitalization rules. The applicable FERC accounting parts considered in this review are: 18 CFR 41 and 101, for companies subject to the Federal Power Act; 18 CFR 158 and 201, Natural Gas Act; and 18 CFR 352, Interstate Commerce Act.